



Frequently Asked Questions
INFORMATION TECHNOLOGY
CONTRACT SERVICES STAFF AUGMENTATION
December 13, 2006

1. What is information technology (IT) contract services staff augmentation?

IT contract services is defined as a category of services used to maintain and enhance state agency IT systems. IT contract services include tasks where a contractor is deployed to work on a system or group of systems on a "time and materials basis," conducting functions including programming, data capture, data entry, imaging, database administration, firewall configuration, network support, desktop builds and deployment, in-house help desk assistance, or other IT work.

2. How much does the state of Iowa currently spend on staff augmentation today?

Current verified staff augmentation expenditures for FY06 is \$7,866,758. Data validated through November 8, 2006, for FY07 shows \$1,342,750. This data is only for participating agencies of the executive branch and is incomplete, as not all participating agencies responded. Agencies use a variety of object codes to record staff augmentation expenditures which makes the validation and verification time consuming and difficult.

Among the object codes that different agencies have used for IT staff augmentation are (definitions for FY06 and FY07 are the same):

4181	IT Professional Services
3850	Desktop SW Maintenance, Consumable
2315	Web Design/Const. Services
2450	Consultants
3940	Server HW Maintenance, Consumable
4750	Printer SW Maintenance, Consumable
2125	Registration, In-State
4020	Network SW Purchase or License
2559	IT Technical Consultants
4183	IT PEO Services
2460	Professional Fees

3. Describe current efforts being made by DAS to reduce IT contract services staff augmentation expenses.

- State agencies must conduct a quote process with several IT contract services providers each time a resource need is identified.
- State agencies are responsible for price negotiations each time.
- An Invitation to Qualify (ITQ) provides agencies with a list of vendors which have been established through a lengthy documentation process to offer services in up to nine functional areas.

4. Why is the state reviewing whether to implement a strategy of IT contract services staff augmentation?

Approximately seven years ago the State of Iowa adopted a strategy used by the State of Pennsylvania to hire temporary staff needed for IT work in state government. This was known as the ITQ process. Recently, Pennsylvania improved their ITQ process and the State of Iowa decided it was time to review our processes as well.

We found that in Pennsylvania the improved process reduced cost and increased the number of minority and women owned businesses doing business with the State. Because of these findings, the State of Iowa has begun discussions with Computer Aid, Inc. (CAI) the supplier for Pennsylvania, to offer this same program to State of Iowa agencies.

The contract with CAI would be one more option for state agencies to have available. It is not the only option.

5. What research has been done to support that an opportunity to save state resources exists and what results have other states achieved?

In a comparison of 18 job titles on Iowa's ITQ with rates on the Pennsylvania staff augmentation contract, savings upwards of 48% were indicated. However, the Iowa rates are not-to-exceed rates, so it is quite likely that the actual rates in Iowa are lower than what was compared. While the indicated 48% savings level is more than likely high, DAS still believes that significant savings are still achievable. For example, if the state is able to negotiate 20% off of the current contract rates, the opportunity for savings is immense based upon the verified annual spend amounts identified in #2 above.

6. What efforts has DAS made to get input on this initiative from customers or the Technology Governance Board (TGB)?

DAS and the TGB have taken steps to obtain feedback from stakeholders internal and external to state government. Public discussions regarding the utilization of the Pennsylvania IT contract services staff augmentation contract have been held at two separate TGB meetings.

7. Describe the Pennsylvania approach. What was the impact of this project on small businesses and on state costs?

Much like the current environment in Iowa, Pennsylvania agencies previously contracted for staff augmentation resources by running a competition among firms on an Invitation to Qualify (ITQ) list. It became apparent to the Pennsylvania officials in 2004 that it was not utilizing its buying power to the fullest extent possible, and as a result the state was paying more than it needed to for these services. Pennsylvania engaged in a competitive procurement process over a 12-month period to select a single supplier to provide all staff augmentation resources to the State. The result was savings of \$19.8 million annually. The winning supplier, Computer Aid, Inc. (CAI), committed that 46% of all spend on new resources would go to women and minority owned small businesses. Twenty-two months into implementation, they have actually exceeded that number with 51% going to such businesses.

Pennsylvania's approach could be mirrored in Iowa. CAI has actually only placed a small number (2%) of the resources in Pennsylvania. The vast majority come from a network of more than 130 vendors who are able to compete for state business. The same would be true in Iowa. Working with DAS, CAI would build a network of Iowa vendors. The makeup of this network would likely include some vendors who currently do business with the State and others who have wanted to do business with the state but who have not been able to for one reason or another.

Because CAI's vendor network will be perpetually "open", Iowa businesses can be added at any time subject to their agreement to established pricing terms and any other applicable conditions. Vendors can

be added to the ITQ contract by simply calling CAI. This process should involve a fraction of the time it takes to join the State's current ITQ contract

8. Are we violating any competitive bid processes by utilizing the Pennsylvania contract?

No, the Pennsylvania contract was competitively bid. DAS Administrative Rule 105.4(4) allows for the State's use of this contract.

9. If Iowa adopts the Pennsylvania approach, what are the expected results on Iowa's current vendors, customers, and anticipated savings?

Iowa's current vendors would be encouraged to join the vendor network and would be given an opportunity to compete for all future IT staff augmentation needs identified by state agencies.

State agencies should see significant benefits. In addition to lower hourly rates, they would likely see resources placed much faster than they are currently experiencing. The supplier, CAI, would be responsible for much of the administrative work that is currently accomplished by state agency IT staff.